Just Water

Just Water International Limited

Half-year Report

for the six months ended
31 December 2011

Directory

Directors

Paul Connell (Independent)
Chairman

Tony Falkenstein (Executive)

Simone Iles (Independent)

Ian Malcolm (Non-Executive)

Executive management

Tony Falkenstein
Chief Executive Officer
Just Water International Limited

Eldon Roberts
Chief Financial Officer
Just Water International Limited

Jay Harraway
General Manager
Just Water New Zealand

Registered office and address for service

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Auditors

PricewaterhouseCoopers

JWI on the web

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www.justwater.co.nz
www.justwaterfilters.co.nz
www.aquacool.co.nz
www.creativeimages.net.nz
www.clearwaterfilters.com.au
www.justwaterfilters.com.au
www.thewatercoolercompany.com.au

Just Water New Zealand Creative Images Hire Limited

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Just Water New Zealand is a division of Just Water International Limited.

Creative Images Hire Limited is a wholly-owned subsidiary of Just Water International Limited.

Clearwater Filter Systems (Aust) Pty Limited

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Australia

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Clearwater Filter Systems (Aust) Pty Limited is a subsidiary of Just Water International Limited through Just Water Limited Partnership

Bankers

Bank of New Zealand Limited
National Australia Bank Limited
Westpac Banking Corporation Limited

Solicitors

Harmos Horton Lusk
Wadsworth Ray Lawyers

Share registry

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First-half 2012 announcement

Just Water International Limited presents its half-year results for the six months to 31 December 2011.

Consolidated Income Statement			
	Current half-year NZ$'000	Up/(Down) %	Previous corresponding half-year NZ$'000
Total Revenue:	15,285	(4.5%)	15,999
EBITDA:	4,082	6.9%	3,818
EBIT:	1,735	53.7%	1,129
NPAT:	654	697.6%	82

Although revenue is down, the directors are satisfied with this profit result, as the Company develops new revenue lines for the future. EBITDA and EBIT includes a net non-cash exchange gain of $0.091 million (31 December 2010: loss of $0.594) reflecting the movement between the New Zealand and Australian dollars at balance date.

The results include five months of the Company's new acquisition, Creative Images Hire Ltd (Creative Images), which added $0.274 million to revenue and $0.114 million to EBIT. As advised, it is expected that Creative Images will add more than $0.25 million to its EBIT in the year ending 30 June 2012.

Last year the directors advised that a major key performance indicator was the reduction of net bank debt, and in this period, net bank debt has been reduced by $1.5 million. Had the Company not acquired Creative Images, net bank debt would have reduced by $2.4 million in this 6 month period. Net bank debt at 31 December 2011 was $20.5 million. Although this reduction remains a focus, the Company is now in a position to also explore acquisitions along with other growth strategies.

New Zealand			
	Current half-year NZ$'000	Up/(Down) %	Previous corresponding half-year NZ$'000
Total Revenue:	10,125	(4.0%)	10,552
EBITDA:	2,904	21.9%	2,382
EBIT:	1,185	157.0%	461
NPAT:	395	n/a	(221)

The 4.0% decrease in revenue represents a pleasing slowing down in the trend from previous periods, due to the Creative Images acquisition and improved operations of the Company. However, continued reductions in revenue are not sustainable in the long term, and the Company is extending its product offering in order to turn around this trend.

EBIT was increased by a non cash exchange gain of $0.091 million.

The overall base of water-coolers and dispensers from which recurring income is received by way of rental, service or regular water delivery reduced to 38,666. This is a 3.6% reduction for the six month period, compared to 5.8% reduction for the previous period to 31 December 2010.

The Company has recently introduced a customer service programme "Think Like a Customer" (TLC), which has identified a number of areas where the Company is able to enhance its service offering to its customers. Management believe that this programme will have an immediate effect on customer retention.

As part of its social responsibility, the Company has undertaken a publicity campaign to highlight New Zealand's obesity epidemic. This has been extremely effective in raising public debate around this important issue. This expresses our mission of "enhancing lives".

In the last 12 months, the Company launched a unique new Just Water Filter, which initially focussed solely on online sales (www.justwaterfilters.co.nz). Since then the Company has introduced three new channels through kitchen manufacturers, plumbers and home distributors. It has also embarked on an advertising campaign through national magazines to increase awareness of the product. The filter does away with the separate tap on the kitchen bench and all water through the kitchen tap is filtered through a long life filter. This product has not added significantly to the business in the six month period, and is not expected to add significantly in the current year. The directors see this product offering a long term ongoing income stream from filter cartridge replacement revenue. An offer for this filter will be made to all shareholders, providing a significant discount from the retail price.

The directors are very pleased with the acquisition of Wellington-based Creative Images, the office plant hire business the Company acquired in August 2011. The Company expects to grow the business both organically and by considered acquisition in the future.

In January 2012, the Company started a business, trading as Just Plants, which offers 'replica' flowers to businesses. Just Plants is able to offer significant discounts to live flowers supplied by florists, with the added benefit of no pollen or allergy problems. Early indications are good, and the Company will consider making this offering nationwide.

The Company's three bottling plants achieved an average of 99.5% in the annual audit by the Australasian Bottled Water Institute (ABWI), assuring customers that water from these plants are operated under the strictest international quality standards. No other '15 litre bottle' bottling plants comply with these standards, which places their customers at risk of drinking contaminated water.

Australia			
	Current half-year NZ$'000	Up/(Down) %	Previous corresponding half-year NZ$'000
Total Revenue:	5,160	(5.3%)	5,447
EBITDA:	1,178	(18.0%)	1,436
EBIT:	550	(17.7%)	668
NPAT:	259	(14.5%)	303

The Company's Australian subsidiary, Clearwater Filter Systems (Aust) Pty Limited (Clearwater), has had a reduction in revenue. As with New Zealand, this revenue trend is not sustainable in the long term. The directors believe the implementation of the TLC programme in Australia and continued focus on new customer acquisition will result in developing a platform for future revenue growth.

The Company has also launched the Just Water filter in Australia as an online product: www.justwaterfilters.com.au. It is now researching other distribution channels.

Clearwater has just launched an online water-cooler company – www.thewatercoolercompany.com.au. The directors believe this sales channel will complement existing sales channels and provide opportunity for future revenue growth.

The Company is also looking at other prospects in Australia, and may replicate some of the new opportunities taken in New Zealand.

The base of water-coolers and dispensers, from which recurring income is received by way of rental or service, increased by 0.8% from 10,269 units in June 2011 to 10,351 in December 2011.

Dividend:

As previously advised, the directors have decided there will be no dividend in the current year.

The Company will be abandoning its Dividend Reinvestment Programme (DRP). Once the Company resumes dividends, these will be paid out of cash flow, rather than increasing the number of shares on issue.

Audit:

In keeping with common practice, the half-year financial statements for the six months ended 31 December 2011 and 31 December 2010 are unaudited. The full-year financial statements are audited. Comparative information in this report for the year ended 30 June 2011 is therefore audited.

Board:

At the 2011 Annual Meeting Sir Don McKinnon and Phil Dash retired as Chairman and Non-Executive Director respectively. Paul Connell's appointment as a director was confirmed at that time. Subsequently Paul was appointed as Chairman in December 2011. The directors are considering appointing another director to the Board.

Bank facilities:

The Company has complied with all bank covenants at 31 December 2011. Net bank debt at 31 December 2011 was $20.465 million (December 2010: $23.619 million). Debt has decreased by $3.154 million over the past year, and is expected to continue to reduce in the current period. The Company had an unutilised funding facility of $5.735 million at 31 December 2011 (December 2010: $3.781 million). Subsequent to the reporting period the company voluntarily requested the bank to reduce the facility by a further $2.0 million in order to reduce ongoing facility fees. The remaining facility of $3.735 million allows operation head room and funding capability for growth and exploring further acquisitions.

Expected future rental income stream:

At 31 December there continued to be in excess of $80 million of expected future rental income stream which is not recognised in the financial statements. Expected future rental income streams have been calculated on the basis of average customer life, which is in excess of 6.5 years. This calculation of future receivables is used as part of the monitoring of compliance for our bank covenants.

Summary:

A year ago, this report outlined its intention to pursue new profit opportunities to grow the business, whilst maintaining our focus on debt reduction. The directors are satisfied that management have made good progress on both these intentions.

The directors wish to congratulate the management and staff for their performance, after the challenging times of past years.

Yours sincerely

Paul Connell	Tony Falkenstein
Chairman	Chief Executive

Just Water International Limited
Consolidated statement of comprehensive income (unaudited)
For the six months ended 31 December 2011

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Revenue	15,190	15,993
Other operating income	95	6
Income	15,285	15,999
Employee costs	(5,683)	(6,267)
Changes in inventories of finished goods and consumables	(212)	42
Purchases of finished goods and consumables	(1,764)	(1,558)
Other expenses	(3,544)	(4,398)
Earnings before interest, tax, depreciation and amortisation	4,082	3,818
Depreciation	(2,084)	(2,409)
Amortisation	(263)	(280)
Earnings before interest and tax	1,735	1,129
Interest expense	(810)	(1,003)
Profit before income tax	925	126
Income tax expense	(271)	(44)
Profit after income tax	654	82
Other comprehensive income		
Exchange differences on translating foreign operations	106	687
Total comprehensive income	760	769
Earnings per share for profit attributable to the shareholders of the company		
Basic and diluted earnings per share (cents)	0.7	0.1

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above statement of comprehensive income.

Just Water International Limited
Consolidated balance sheet
For the six months ended 31 December 2011

	NOTE	Group as at 31 December 2011 (unaudited) $'000	Group as at 31 December 2010 (unaudited) $'000	Group as at 30 June 2011 (audited) $'000
ASSETS				
Current assets				
Cash and cash equivalents		726	706	51
Trade and other receivables		3,881	3,508	4,124
Current tax receivables		83	111	111
Inventories		1,353	1,286	1,565
Total current assets		5,973	5,611	5,851
Non-current assets				
Property, plant and equipment		11,241	14,479	12,605
Intangible assets		11,810	11,489	11,128
Deferred tax asset		3,243	4,557	3,686
Total non-current assets		26,294	30,525	27,419
Total assets		32,267	36,136	33,270
LIABILITIES				
Current liabilities				
Interest-bearing liabilities		2,521	2,330	6,329
Trade and other payables		3,167	3,754	3,198
Deferred income		2,441	2,878	2,779
Total current liabilities		8,129	8,962	12,306
Non-current liabilities				
Interest-bearing liabilities		19,047	22,437	16,155
Deferred income		419	815	698
Deferred tax liabilities		62	435	261
Total non-current liabilities		19,528	23,687	17,114
Total liabilities		27,657	32,649	29,420
Net assets		4,610	3,487	3,850
EQUITY				
Share capital	6	22,487	22,487	22,487
Accumulated losses		(17,898)	(19,288)	(18,552)
Reserves		21	288	(85)
Total equity		4,610	3,487	3,850

For and on behalf of the board:

Paul Connell
Chairman

24 February 2012

Ian Malcolm
Director

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above balance sheet.

Just Water International Limited
Consolidated statement of changes in equity (unaudited)
For the six months ended 31 December 2011

	Share capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
GROUP				
Balance at 1 July 2010	22,460	(399)	(19,370)	2,691
Profit after tax	-	-	82	82
Foreign currency translation reserve	-	687	-	687
Total comprehensive income/(loss) for the period	-	687	82	769
Issue of options	1	-	-	1
Issue of ordinary shares	26	-	-	26
Balance at 31 December 2010	22,487	288	(19,288)	3,487
Profit after tax	-	-	736	736
Foreign currency translation reserve	-	(373)	-	(373)
Total comprehensive income/(loss) for the period	-	(373)	736	363
Balance at 30 June 2011	22,487	(85)	(18,552)	3,850
Profit after tax	-	-	654	654
Foreign currency translation reserve	-	106	-	106
Total comprehensive income for the period	-	106	654	760
Balance at 31 December 2011	22,487	21	(17,898)	4,610

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above statement of changes in equity.

Just Water International Limited
Consolidated cash flow statement (unaudited)
For the six months ended 31 December 2011

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Cash flows from operating activities		
Receipts from customers	14,726	17,398
Interest received	4	6
Payments to suppliers and employees	(10,457)	(12,333)
Interest paid	(687)	(623)
Income tax paid	-	(339)
Purchases of non-current assets held for rental	(492)	-
Net cash generated from operating activities	3,094	4,109
Cash flows from investing activities		
Purchases of property, plant and equipment	(519)	(1,313)
Proceeds from sale of property, plant and equipment	10	1
Purchases of intangible assets	(848)	(55)
Net cash used in investing activities	(1,357)	(1,367)
Cash flows from financing activities		
Proceeds from borrowings	900	-
Repayment of borrowings	(1,654)	(1,696)
Exchange losses on borrowings	(144)	(37)
Net cash used in financing activities	(898)	(1,733)
Net increase in cash, cash equivalents and bank overdrafts	839	1,009
Cash and cash equivalents at the beginning of the financial year	(111)	(392)
Exchange losses on cash and bank overdrafts	(2)	(29)
Cash and cash equivalents at the end of period	726	588

The accompanying notes to the financial statements are an integral part of, and should be read in conjunction with, the above cash flow statement.

Just Water International Limited
Notes to the financial statements
For the six months ended 31 December 2011

1. GENERAL INFORMATION

Just Water International Limited (JWI) is a public company registered under the Companies Act 1993 and is listed with the New Zealand Stock Exchange on the NZAX.

The Group comprises JWI and its division Just Water New Zealand, and its wholly-owned subsidiaries Clearwater Filter Systems (Aust) Pty Limited (Clearwater), Creative Images Hire Limited (CI), JWA Holdings Limited, Just Water Australia Pty Limited (JW Australia), Just Water Victoria Pty Limited (JW Victoria) and the Just Water Limited Partnership.

These condensed consolidated financial statements have been approved for issue by the board of directors on 24 February 2012.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These general purpose financial statements for the interim six month reporting period ended 31 December 2011 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS34) and International Accounting Standard 34 (Interim Financial Reporting).

The accounting policies used are consistent with those used in the previous Annual Report. The financial statements for the six months ended 31 December 2011 and 31 December 2010 are unaudited. The comparative information for the year ended 30 June 2011 is audited. Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2011.

3. BASIS OF PREPARATION

3.1.1 Entities reporting

The financial statements are prepared for the Group as described in note 1 above.

3.1.2. Statutory base

Just Water International Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared and presented in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

3.2.3. Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

3.1.4. Going concern

The financial statements have been prepared on a going concern basis. As at 31 December 2011 the Group had negative working capital. The directors have assessed the financial performance of the Group including forecast cash flows and are satisfied that the going concern assumption remains appropriate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgments concerning the future. The resulting estimates may not equal related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

4.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment.

4.2 Deferred tax

The utilisation of the deferred tax asset relating to temporary differences is dependent on future tax profits in excess of the profits arising from the reversal of existing taxable temporary differences. Income tax losses are reviewed annually for each tax jurisdiction to ensure it is probable that these losses will be utilised based on current forecasts. If it is not probable they will be utilised, the losses are derecognised.

4.3 Bad and doubtful debts

Management regularly reviews the debtors ledger and makes provision against those balances that management believes are not collectible.

4.4 Income taxes

The Group is subject to income taxes in two different jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.5 Unrecoverable coolers

Management regularly reviews the status of cooler rental agreements and provide for coolers where these are deemed not recoverable from customers.

5. SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities, which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. The Group has determined its CODM to be the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

The reportable operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

The Group is organised into two reportable operating segments, namely New Zealand and Australia, reflecting the different geographical markets within which the Group operates.

The following is an analysis of the Group's revenue and results by operating segment. Revenue reported below represents revenue generated from external customers.

	New Zealand 6 months ended 31 December 2011 $'000	Australia 6 months ended 31 December 2011 $'000	Eliminations 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2011 $'000
Rental income	6,019	3,447	-	9,466
Sales and service income	4,011	1,799	(86)	5,724
Other operating income	135	-	(40)	95
Income	10,165	5,246	(126)	15,285
Earnings before interest, tax, depreciation and amortisation	2,944	1,178	(40)	4,082
Depreciation	(1,514)	(570)	-	(2,084)
Amortisation	(205)	(58)	-	(263)
Earnings before interest and tax	1,225	550	(40)	1,735
Interest expense	(670)	(180)	40	(810)
Profit before income tax	555	370	-	925
Income tax expense	(160)	(111)	-	(271)
Profit attributable to shareholders of the Parent	395	259	-	654
Total assets	57,554	14,170	(39,457)	32,267
Total liabilities	23,404	4,253	-	27,657

5. SEGMENT INFORMATION CONTINUED

	New Zealand 6 months ended 31 December 2010 $'000	Australia 6 months ended 31 December 2010 $'000	Eliminations 6 months ended 31 December 2010 $'000	Group 6 months ended 31 December 2010 $'000
Rental income	6,348	3,701	-	10,049
Sales and service income	4,199	1,895	(150)	5,944
Other operating income	41	1	(36)	6
Income	10,588	5,597	(186)	15,999
Earnings before interest, tax, depreciation and amortisation	2,418	1,436	(36)	3,818
Depreciation	(1,715)	(694)	-	(2,409)
Amortisation	(206)	(74)	-	(280)
Earnings before interest and tax	497	668	(36)	1,129
Interest expense	(818)	(221)	36	(1,003)
Profit/(loss) before income tax	(321)	447	-	126
Income tax credit/(expense)	100	(144)	-	(44)
Profit/(loss) attributable to shareholders of the company	(221)	303	-	82
Total assets	58,685	15,923	(38,472)	36,136
Total liabilities	25,309	7,340	-	32,649

6. SHARE CAPITAL

Movements in ordinary share capital:

	Number of Shares	Share Capital $'000
Ordinary shares on issue 1 July 2010	89,366,300	22,460
Shares issued		
- Shares issued in lieu of directors' fees	110,874	26
Fair value of options issued to directors and employees	-	1
Ordinary shares on issue as at 30 June 2011	89,477,174	22,487
Fair value of options issued to directors and employees	-	-
Ordinary shares on issue as at 31 December 2011	89,477,174	22,487

The Group issued 110,874 shares in July 2010 to the directors of Just Water International Limited in lieu of directors' fees for the year ended 30 June 2010, to the value of $0.026 million. The price of the share issue was determined by the Volume Weighted Average Price (VWAP) of the Company's ordinary shares traded on the NZAX market over the 20 business days immediately prior to the share issue, being $0.2345 per share.

7. COMMITMENTS

Capital commitments

The Group has no capital commitments as at 31 December 2011 (Dec 2010: nil).

Lease commitments: Group as lessee

Operating leases

The Group leases various offices and warehouses under non-cancellable operating leases. The leases have varying terms and renewal rights and escalation clauses based on the CPI index. On renewal, the terms of the leases are renegotiated.

A summary of the terms of the major lease agreements in place for the Group are as follows:

	Initial Lease Term	Rights of Renewal
Auckland offices/warehouse	Five years	Two of three years each
Hamilton offices/warehouse	Six years	Two of three years each
Wellington offices/warehouse	Twelve years	Nil
Brisbane offices/warehouse	Three years	One of three years
Melbourne offices/warehouse	Five years	One of three years
Sydney offices/warehouse	Five years	One of five years

The Group also leases various plant and machinery under cancellable operating leases. The Group is required to give six months notice for termination of these leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Within one year	876	975
Later than one year but not later than five years	1,931	810
Later than five years	700	840
Commitments not recognised in the financial statements	3,507	2,625

Finance leases

The group leases various motor vehicles under non-cancellable finance leases.

The finance lease rentals are payable as follows:

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Within one year	181	249
Later than one year but not later than five years	196	193
Later than five years	-	-
Total finance leases recognised in the financial statements	377	442

7. COMMITMENTS CONTINUED

Operating leases

The Group leases assets to third parties under non-cancellable operating leases. No contingent rents are recognised as income in the period. Generally lease payments receivable arise from rental contracts of water-coolers which are contracted for a three year period and most contracts automatically roll over for further periods. The amounts below only include receivables within the initial three year period.

Expected minimum lease receipts in relation to non-cancellable operating leases are receivable as follows:

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Within one year	14,903	16,333
Later than one year but not later than five years	11,925	13,403
Later than five years	-	-
Receipts not recognised in the financial statements	26,828	29,736

8. CONTINGENT LIABILITIES

As at 31 December 2011 the Group had no contingent liabilities (Dec 2010: nil).

9. RELATED PARTIES

The Group has related-party transactions with its directors and key management. Key management includes personnel within the Group with the authority and responsibility for planning, directing and controlling the activities of that Group. Details of these transactions are below.

Bartercard Exchange Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged Bartercard fees to JWI during the period to the value of $63,812 (Dec 2010: $43,680). As at balance date JWI had a trade payable balance of $7,955 (Dec 2010: $6,096) and a Bartercard trade balance asset of $132,408 (Dec 2010: $248,388 trade balance liability). As at balance date Clearwater had a Bartercard trade balance asset of $428,281 (Dec 2010: $251,219).

Mabee Halstead & Kiddle Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the period to the value of $98,280 (Dec 2010: $105,153). Ian Malcolm is also a director and shareholder of JWI. As at balance date the Group had a trade payable balance of $8,050 (Dec 2010: $8,286).

9. RELATED PARTIES CONTINUED

Key management compensation is as follows:

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Short-term benefits	690	541
Share-based payments	-	26
Total key management compensation	690	567

The number of key managers for the six months ended 31 December 2011 for the Group was ten (Dec 2010: nine).

10. FINANCIAL RISK MANAGEMENT

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Balances due within 12 months equal their carrying balances.

	Less Than 1 Year $'000	Between 1 and 2 Years $'000	Between 2 and 5 Years $'000	Over 5 Years $'000
GROUP				
As at 31 December 2011				
Trade and other payables	3,167	-	-	-
Bank borrowings	-	-	22,866	-
Other loans	208	89	137	-
As at 31 December 2010				
Trade and other payables	3,754	-	-	-
Bank overdraft	118	-	-	-
Bank borrowings	1,969	19,738	2,500	-
Other loans	243	184	15	-

The Group is subject to a number of covenants under its banking agreements. During the year the Group complied with all of the required covenants.

The Group currently has banking facilities with the Bank of New Zealand Limited for a period expiring on 31 October 2014, with the exception of $8.0 million which may be extended out to 31 October 2016 (Dec 2010: 31 October 2012 with the exception of $2.5 million which had already been extended to 26 March 2013). The facilities are intended to be renegotiated before the expiry of the current arrangement. The net bank facility drawn as at period end was $21.2 million (2010: $24.3 million), the undrawn banking facility at period end was $5.7 million (Dec 2010: $3.8 million).

The Group has a number of assets subject to finance leases which have been classified as 'Other loans' as above.

11. BUSINESS COMBINATIONS

On 1 August 2011 the Group acquired the business of Creative Images Corporate Plant Hire, a Wellington-based plant rental company operating in New Zealand. The acquisition was made by Creative Images Hire Limited, a wholly owned subsidiary of Just Water International Limited.

As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale. The goodwill of $0.831m arising from the acquisition is attributable to the profitability of the acquired business and the expected synergies from combining the operations of Creative Images with that of the Group.

The acquired business contributed revenues of $0.274m and net profit after tax of $0.068m to the Group for the period from 1 August 2011 to 31 December 2011. If the acquisition had occurred on 1 July 2011 the acquired business would have contributed revenues of $0.329m and net profit after tax of $0.081m.

Details of the net assets acquired are as follows:

	Group 2011 $'000
Purchase consideration:	
- Cash paid	900
Total purchase consideration	900

The assets and liabilities arising from the acquisition are as follows:

	Fair value 2011 $'000	Acquiree's carrying amount 2011 $'000
Property, plant and equipment	69	69
Acquired intangible assets	831	831
Net assets acquired	900	900
Reconciliation to statement of cash flows		
Cash paid (including direct costs relating to the acquisition)		900
less cash and cash equivalents acquired		-
Total purchase consideration		900

Acquisition-related costs of $0.003m have been charged to other expenses in the consolidated statement of comprehensive income for the six months to 31 December 2011.

12. RECONCILIATION OF NET PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group 6 months ended 31 December 2011 $'000	Group 6 months ended 31 December 2010 $'000
Profit for the period	654	82
Adjustments for		
Tax	244	(220)
Depreciation	2,084	2,409
Amortisation	263	280
Loss/(gain) on sale of property, plant and equipment	330	333
Share options issued	-	1
Shares issued in lieu of directors fees	-	26
Provision for doubtful debts	793	(1,839)
Movement in deferred income	(487)	(40)
Changes in working capital		
Inventories	212	139
Trade and other receivables	(738)	3,284
Trade and other payables	203	(7)
Provision for tax	28	(339)
Purchases for non-current assets held for rental	(492)	-
Cash generated from operations	3,094	4,109


aqua
cool
AQUAFRESH
mineralX
VitaBlast

Notes

Just Water

Just Water International Limited